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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

Chesterfield Mortgage Investors, Inc.;  
Charles M. Chesterfield; Edward M.  
("Marty") Hunter; Rosa Collins,

Respondents.

S-07-310-07-SC-01

STOP ORDER SUSPENDING SECURITIES  
REGISTRATION, SUMMARY ORDER  
SUSPENDING BROKER-DEALER AND  
SALESPERSON REGISTRATION, AND NOTICE  
OF INTENT TO IMPOSE A FINE

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THE STATE OF WASHINGTON TO:     Chesterfield Mortgage Investors, Inc.  
Charles M. Chesterfield  
Edward M. ("Marty") Hunter  
Rosa Collins

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Chesterfield Mortgage Investors, Inc. ("Chesterfield"), has violated the Securities Act of Washington and that its violations justify the entry of orders of the Securities Administrator under RCW 21.20.280, RCW 21.20.110, and RCW 21.20.395 to suspend the effectiveness of its current securities registration; to summarily suspend or revoke Chesterfield's current broker-dealer registration; to summarily suspend or revoke the current salesperson registrations of Charles M. Chesterfield, Edward M. ("Marty") Hunter and Rosa Collins; and to give notice of a proposed \$10,000 fine against Chesterfield. The Securities Administrator finds that delay in issuing these orders would be hazardous to investors and to the public and that the orders should be entered immediately. The Securities Administrator finds as follows:

STOP ORDER SUSPENDING SECURITIES  
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**DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760**

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**TENTATIVE FINDINGS OF FACT**

RESPONDENTS AND THEIR REGISTRATION STATUS

1. Chesterfield Mortgage Investors, Inc. (“Chesterfield”) is a Washington Corporation with its principal place of business at 1001 Fourth Avenue Plaza, Suite 3113, Seattle WA 98154. Charles M. Chesterfield is the President of Chesterfield. Corpserve Inc. is the registered agent for Chesterfield.

2. Chesterfield is currently registered pursuant to RCW 21.20.210 and WAC 460-33A to sell mortgage paper securities as that term is defined in WAC 460-33A-015(4). The file number is 70011205. That registration expires on December 1, 2007.

3. Chesterfield Mortgage Investors, Inc. is currently licensed as a broker-dealer pursuant to RCW 21.20.040 (file number 10003973). Its permit expires on December 1, 2007.

4. Charles M. Chesterfield (file number 20004056), Edward M. (“Marty”) Hunter (file number 20008026), and Rosa Collins (file number 20008025) are licensed securities salespersons for Chesterfield. Their permits expire on December 1, 2007.

BACKGROUND

5. Chesterfield originates or acquires notes secured by deeds of trusts on real property and then resells to investors fractionalized “participation” interests in those loans. Chesterfield registers these participation interests with the Securities Division as “mortgage paper securities” under RCW 21.20.210 and WAC 460-33A. Through the registration process in WAC 460-33A, Chesterfield becomes a “mortgage broker-dealer” as that term is defined in WAC 460-33A-005(1). To use this registration process, WAC 460-33A-020 generally requires that the registrant file a registration statement accompanied by a general offering circular, a sample specific offering circular, and certain other documents with the Securities Division.

1 6. WAC 460-33A also sets forth rules regarding trust accounting, disbursement of investor funds, timely  
2 recording the instrument securing the investors' participation interest, fiduciary duties and conflicts of  
3 interests, financial reporting requirements and other matters. WAC 460-33A-110 requires that every  
4 registered mortgage broker-dealer file with the Division audited financial statements within ninety days of the  
5 end of the mortgage broker-dealer's fiscal year. This rule allows the Division to monitor the financial  
6 performance of registered mortgage broker-dealers and determine if suspension or revocation of a mortgage  
7 broker-dealer's permit to sell mortgage paper securities is in the public interest. This rule also allows the  
8 Division to ensure that current audited financial statements are included in the general offering circular  
9 provided to prospective investors.

10 2005 FINANCIAL STATEMENTS

11 7. By letter dated April 11, 2006, the Division reminded Chesterfield of the financial statement reporting  
12 requirement set forth in WAC 460-33A-110. That letter discussed the importance of the information in the  
13 audited financial statements to the Division, investors and prospective investors in evaluating Chesterfield's  
14 financial condition. The letter advised management to take corrective action to ensure that all parties to the  
15 audit engagement contract follow an audit schedule that would allow the timely completion of audited  
16 statements.

17 8. By letter dated April 20, 2006, the Division instructed Chesterfield to ensure that prospective investors  
18 are made aware that the general offering circular did not include current financial information due to the delay  
19 in the completion of the annual audit.

20 9. On June 1, 2006, the Division sent an e-mail to Chesterfield requesting an update on the status of the  
21 audited financial statements for the period ended December 31, 2005. Chesterfield indicated that the financial  
22 statements would be available around the middle of June by e-mail on June 6, 2006. The Division finally  
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1 received a copy of the audited financial statements while conducting an examination of Chesterfield July 11-  
2 19, 2006.

3 10. During the examination of Chesterfield conducted by Division staff July 11-19, 2006, Chesterfield's  
4 management indicated that it had committed to ensure that the timeliness of annual financial statements is  
5 improved. Chesterfield's management indicated that the concern relating to the timely submission of annual  
6 financial reports to the Division had been discussed with its auditor. Division staff recommended that  
7 management require a firm completion date of future audits of financial statements in engagement letters with  
8 the independent auditor.

9 2006 FINANCIAL STATEMENTS

10 11. On March 19, 2007, the Division requested the status of the audited financial statements for the fiscal  
11 year ended December 31, 2006.

12 12. On April 4, 2007, the Division sent an e-mail to Chesterfield requesting an explanation for the delay in  
13 the submission of the audited financial statements for the fiscal year ended December 31, 2006. By letter  
14 dated April 4, 2007, Chesterfield informed the Division that the auditor was hopeful that the audited financial  
15 statements for the fiscal year ended December 31, 2006 would be available by the end of the month.

16 13. On April 30, 2007, the Division again sent an e-mail requesting an update on the status of the audited  
17 financial statements for the fiscal year ended December 31, 2006. On May 15, 2007, Chesterfield sent an e-  
18 mail to the Division indicating that "the audit is coming to an end and we anticipate being able to forward the  
19 financials by months end."

20 14. On June 14, 2007, the Division issued a letter urging Chesterfield to submit audited financial  
21 statements for the fiscal year ended December 31, 2006 to the Division by June 22, 2007 in order to avoid  
22 enforcement action.

1 15. As of the date of these Orders, Chesterfield has not submitted audited financial statements for the  
2 fiscal year ended December 31, 2006.

3 16. The general offering circular and other registration materials filed with the Division do not disclose  
4 that Chesterfield has failed to file audited financial statements for the fiscal year ended December 31, 2006  
5 with the Securities Division as required by WAC 460-33A-110.

6 17. The Securities Administrator finds that the continued offering of mortgage paper securities as  
7 described in the above Tentative Findings of Fact presents a threat to the investing public.

8 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

9 **CONCLUSIONS OF LAW**

10 1. The offer or sale of notes, notes and deeds of trust, and mortgage paper securities as described above  
11 constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

12 2. As set forth above in the Tentative Findings of Fact, Chesterfield has willfully failed to comply with  
13 the financial statement reporting requirements imposed by rule under WAC 460-33A-110, which constitutes a  
14 ground for the entry of an order suspending or revoking the broker-dealer registration of Chesterfield as well  
15 as an order suspending or revoking the salesperson registrations of Charles M. Chesterfield, Edward M.  
16 (“Marty”) Hunter, and Rosa Collins under RCW 21.20.110(2) and RCW 21.20.280(2).

17 3. As set forth in the Tentative Findings of Fact, Chesterfield’s general offering circular and other  
18 registration materials are materially incomplete, which constitutes a ground for the entry of a Stop Order under  
19 RCW 21.20.280(1).

20 4. As set forth in the Tentative Findings of Fact, Chesterfield has willfully violated RCW 21.20.010  
21 because it has failed to disclose its failure to file audited financial statements for the fiscal year ended  
22 December 31, 2006 with the Division. Such conduct constitutes grounds for a Stop Order under RCW

21.20.280(2), an order suspending or revoking broker-dealer and salesperson registration under RCW 21.20.110(1).

5. The Securities Administrator finds that an emergency exists, that the continued violations of RCW 21.20.010 and RCW 21.20.280 constitute a threat to the investing public, and that a summary order suspending registration is in the public interest and necessary for the protection of the investing public.

### **STOP ORDER AND SUMMARY ORDER**

Based on the foregoing, NOW, THEREFORE:

IT IS HEREBY ORDERED, under the authority of RCW 21.20.280(1) and (2), that the current securities registration of Chesterfield Mortgage Investors, Inc. is suspended.

It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1), that Chesterfield's broker-dealer registration is suspended.

It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1), that salesperson registration is suspended for Charles M. Chestfield, Edward M. ("Marty") Hunter, and Rosa Collins.

### **CONTINUING INVESTIGATION**

The Division may continue its investigation of Respondent and its agents and affiliates and may take additional enforcement action under the Washington Securities Act as the investigation warrants.

### **NOTICE OF INTENT TO IMPOSE A FINE**

Pursuant to RCW 21.20.110(1) and (4) and/or RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Chesterfield shall be liable for and shall pay a fine of \$10,000.

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**AUTHORITY AND PROCEDURE**

This Stop Order Suspending Securities Registration, Summary Order Suspending Broker-Dealer and Salesperson Registration, and Notice of Intent to Impose a Fine is entered pursuant to the provisions of RCW 21.20.280, RCW 21.20.110, and RCW 21.20.395, and is subject to the provisions of Chapter 34.05 RCW.

Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, and enter a final Stop Order revoking registration effectiveness and a final Order revoking broker-dealer registration, revoking salesperson registration, and imposing a fine as to the Respondent.

DATED AND ENTERED this 8<sup>th</sup> day of August, 2007.



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MICHAEL E. STEVENSON  
Securities Administrator

Approved By:



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William M. Beatty  
Chief of Registration and Licensing

Presented by:



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Faith L. Anderson  
Financial Examiner

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